



# **PSC NEWS**

## **Missouri Public Service Commission**

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### **PSC DENIES SPRINT REQUEST TO INCREASE RATES FOR SOME MCA CUSTOMERS**

Jefferson City (October 22, 2002)---The Missouri Public Service Commission has denied a request filed by Sprint Missouri, Incorporated d/b/a Sprint which sought to increase the monthly optional Metropolitan Calling Area (MCA) rate for Sprint customers in tiers 3,4 and 5 of the Kansas City MCA. Sprint does not have exchanges in either the Springfield MCA or the St. Louis MCA.

Metropolitan Calling Area (MCA) is a service allowing expanded calling in the Kansas City, St. Louis and Springfield areas. For a flat monthly rate, MCA customers can call neighboring exchanges toll-free.

On March 13, 2002, Sprint filed a proposed tariff seeking to increase the residential and business monthly rate for optional MCA service for exchanges in tiers 3, 4 and 5 of the Kansas City MCA. Sprint, a price cap company, sought to increase the monthly rate by between 7.7% and 16% (\$1.65 to \$3.45 a month) for residential customers depending upon the tier and by between 2.8% and 16.6% (\$2.00 to \$7.77 a month) for business customers, depending upon which tier the exchange is in.

The Commission has denied Sprint's request, stating the proposed increase exceeds the increase authorized by state law for price cap companies. That position had been advocated by the Office of the Public Counsel in proceedings before the Commission. The Office of the Public Counsel is a separate state agency which represents the general public in matters before the Missouri Public Service Commission.

Back on December 11, 2001, the Commission approved tariffs filed by Sprint which set the "maximum allowable prices" for MCA. At that time, Sprint chose not to raise the actual rates charged to those "maximum allowable prices". In the March 13, 2002 filing, Sprint sought to increase optional MCA rates by, in some cases, more than the eight percent authorized in state law for price cap companies. Sprint contended that it could do that because the actual rate would still be below the "maximum allowable price". In other words, for the past two years Sprint attempted to use the "maximum allowable price" as a means to "bank" increases without raising its actual rates.

The Office of the Public Counsel argued that a price cap company may increase the rate for a

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nonbasic service by a maximum eight percent per year, and if the price cap company does not raise its actual rates to the “maximum allowable price,” the potential (unused) increase is lost. The Commission agreed, stating in its order: “If an ILEC (Incumbent Local Exchange Company such as Sprint) increases its prices by less than eight percent, then the price cap for the following year increases by less than eight percent-and any part of the eight percent annual increase that is not used is lost.” The Commission further noted: “Therefore, Sprint’s attempt to ‘bank’ increases violates the Price Cap Statute and the proposed tariff must be rejected.”

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Case No. TT-2002-447